



## EVALUATION OF CHINA'S "MADE IN CHINA 2025" STRATEGY

According to the reports of the International Monetary Fund (IMF) and other international organizations, China, which has the second largest economy in the world, grew steadily until 2008 with approximately a 10% growth rate. China has become one of the leading economies in the Asia-Pacific region in a short time and achieved to be a new economic power center influencing Central Asia, which has rich underground resources. On the other hand, China has been increasing its investments in Africa and has been developing strategic cooperation with the regional countries both in economic and political fields. However, it is estimated that in future, the establishment of the US-led multiple free trade zones in East Asia and Europe will negatively affect Chinese economy and 2011 European debt crisis will continue to reduce Chinese exports and foreign capital inflows to the country. Since 1990, the Chinese economy has faced high growth rates, however, after 2008 global financial crisis there was a significant decline in the growth rate in China. While the growth rate was 7.4% in 2014, it became 6.9% in 2015, which was the lowest rate in the last 25 years.

In order to overcome these economic problems, China had to implement new strategic and geo-economic measures. Accordingly, "One Belt, One Road" strategy proposed by China's President, Xi Jinping in 2013 can be evaluated along with the "Chinese Dream" slogan. As well known, "One Belt, One Road" strategy, providing both land and maritime trade in East Asia – Central Asia – Africa – West Asia and Europe, aims to increase China's economic and political influence both in regional and global levels. Today, "One Belt, One Road" strategy, which involves Asia, Europe and Africa, is closely related to a total of 4.4 billion people in 65 countries (63% of the world population) and economic power worth of \$21 trillion (29% of the world's economy). "One Belt One Road" strategy can be considered as a strategy that will help China to both encourage its peaceful rise and to balance its foreign policy further increasing Chinese global influence and soft power.

In order to implement its global strategies and achieve a steady long-term economic growth target, China needs to improve its manufacturing industry, which underlies its national economy. Although China is one of the countries that has the highest production level in the world, it still depends on foreign equipment and foreign skilled labor in manufacturing industry. The country has facing difficulties in increasing innovative investments, skilled labor, modernization and productivity.

Currently, more than 210 products are produced in Chinese manufacturing industry. However, it should be mentioned that the level of Chinese technology in 15 manufacturing sectors such as steel, nonferrous metal, petro-chemistry, energy, coal and the construction materials is at least 5-10 years (in some areas even 20-30 years) behind the world average. In the World Economic Forum's (WEF) 2015 Global Information Technology Report the Networked Readiness Index, China was ranked 62nd with 4.2 point. According to the WEF's Global Competitiveness Index,

China's competitiveness was ranked only 28th among 144 countries. In 2014, China's trade volume was 26.43 trillion yuan (about \$4.06 trillion) whereas in 2015 it reduced by 7% and stood at 24.55 trillion yuan (about \$3.8 trillion) in total.

According to Chinese sources, dependence on foreign resources in the production of high-tech equipment in the country is still over 50%. Indeed, 95% of high-level digital control systems and 80% of the chips and even all of the high-level hydraulic components, gaskets and motors are imported from developed countries. On the other hand, China is also facing problems with getting access to sufficient energy resources that could meet the need for energy consumption in the manufacturing industry. For example, in 2014, the coal consumption in the country was in total 4.26 billion tons, 70% of which belongs to the manufacturing industry. Since 2008, the growth of the manufacturing industry value added in the Chinese economy has steadily slowed down. The growth of the manufacturing industry value added in China dropped from 14.9% in 2007 to 9.5% and 5.9% in 2008 and 2015 respectively. In addition, China continues to lean production techniques. In other words, instead of an original brand manufacturer (OBM), China prefers to be an original equipment manufacturer (OEM). Indeed, 90% of Chinese goods consist of OEM products.

From this point, it is necessary for China to enhance the production system, to increase productivity and to strengthen technological and structural developments in its manufacturing industry. Therefore, in order to meet the mentioned goals, the Chinese government has formed "Made in China 2025" strategy. On March 5, 2015, China's Prime Minister, Li Keqiang, published the first report on the establishment of this strategy. "Made in China 2025" strategy, which was adopted on May 8, 2015, by the Chinese government as the state's economic development strategy, has come into effect since January 1, 2016. The Chinese government has set up a group to lead the strategy under the head of the Vice-Premier, Ma Kai, on June 24, 2015.

"Made in China 2025" strategy aims to make China the world's most powerful producer country and in this regard, envisages the development of 10 major sectors: 1) the new advanced information technology; 2) automated machine tools and robotics; 3) aerospace and aeronautical equipment; 4) maritime equipment and high-tech shipping; 5) modern rail transport vehicles; 6) energy-saving and new-energy equipment; 7) electrical power equipment; 8) agricultural machinery; 9) new materials; 10) biopharma and advanced medical products.

Furthermore, 5 big projects are to be implemented within this strategy. These projects are described as follows:

1. Manufacturing innovation centers: This project aims to establish 15 manufacturing innovation centers in the country by 2020 and to increase the number of these centers up to 40 by 2025.

2. Smart manufacturing facilities: This project aims to significantly increase the smart production in key manufacturing sectors by 2020 and to

reduce the operating costs, production cycle and error margin by 30% each. It is estimated to achieve full transition to the smart production in key sectors in 2025 and to reduce the operating costs, production cycle and error margin by 50% each.

3. Quality enhancement facilities: This project aims to ensure 40% of domestic content of core components and materials in areas such as aerospace equipment, communications equipment, power generation and transmission equipment, construction machinery, rail transportation systems and household appliances by the establishment of quality enhancement facilities by 2020 and to increase domestic production by 70% by 2025.

4. Green production facilities: This project intends to determine thousands of green manufacturing facilities, to reduce the energy and resource consumption and pollutant emissions by 20% in heavy chemical industry by 2020 and to achieve an advanced development level in the world in green manufacturing facilities in 2025.

5. High-tech facilities: This project plans to provide independent research and application in a number of areas such as large aircraft, aircraft engines and gas turbines, civil aviation, new energy vehicles, maritime engineering equipment and high-tech shipping, smart grid equipment, CNC machine tools, nuclear power plant equipment and medical technology with the establishment of high-tech facilities by 2020 and to reduce dependence on foreign technology and equipment by reaching an advanced level of manufacturing in some key areas by 2025. As the strategy is based on the concept of developing manufacturing industry, the Chinese government has stated that China's overall manufacturing competitiveness would be improved by 84.5% in 2020 and by 85.5% in 2025; to upgrade the share of manufacturing value added in GDP by 2 times in 2020 and by 4 times in 2025; to increase labor productivity in manufacturing industry annually by 7.5% to 2020 and by 6.5% annually to 2025; to improve China's broadband infrastructure by increasing the internet penetration rate to 72% in 2020 and to 84% in 2025.

To conclude, it can be stated that "Made in China 2025" strategy includes two main stages and envisages a long-term development. As known, during the first stage it is planned to increase China's production quality up to the production quality standards of countries like Germany and Japan and even further in 2025-2035 period. The second stage aims to move China to the leading position in the world manufacturing industry in 2035-2049 period (the 100th anniversary of the founding of the People's Republic of China). Indeed, in China's 13th Five-Year Development Plan announced on October 29, 2015, it is stated that priority will be given for improvement of the manufacturing sector and immediate arrangements will be made in order to eliminate the problems in areas such as excess capacity in domestic industry, low level of production technologies techniques, excessive energy and resource consumption, environmental issues and inadequate number of skilled labor.

## Politics, Foreign Affairs and Security

- The Ministry of Foreign Affairs of Azerbaijan announced that during the Geneva round of talks on the country's accession to the World Trade Organization the Deputy Foreign Minister, Mahmud Mammad-Guliyev, headed the Azerbaijani delegation. Currently, the country negotiates with 19 countries. Until now, Azerbaijan has completed the negotiations and has signed protocols with Turkey, Oman, the UAE, Georgia and Kyrgyzstan.
- The President of Turkmenistan, Gurbanguly Berdimuhamedov, held a meeting with the Head of the OSCE Centre in Ashgabat, Natalya Drozd, during which the parties discussed the potential for further expansion of the partnership focusing on the issues such as solving the problems in Afghanistan, fighting against drug trafficking, international terrorism and transnational crime.
- The Prime Minister of Uzbekistan, Shavkat Mirziyoyev, sent a letter to his Tajik counterpart, Kohir Rasulzoda, expressing the Uzbek side's concern over the conclusion of a framework agreement between the government of Tajikistan and Salini Impregilo company for the construction of the Rogun hydropower plant and calling to reconsider the project in accordance with modern requirements and experience.
- The Border Service of Turkmenistan reported that the 413 km border with Kazakhstan would be closed for five days in line with the security measures raised after deadly attacks on Almaly District Department of Internal Affairs and the National Security Committee Department in Almaty.
- The Minister of Defense of Iran, Brigade General Hossein Dehghan, confirmed that the first batch of S-300 anti-aircraft defense missile systems from Russia were delivered to the country.
- The Deputy Minister of Defense of Azerbaijan, Ramiz Takhirov, reported that there would be no Turkish military base in the territory of the country. It was stated that the President of Azerbaijan, Ilham Aliyev, signed a decree on adopting an inter-governmental protocol on leasing Turkey buildings and facilities in the Gyzyly Shary military town and a terminal at an aerodrome in the Hajji Zeynalabdin Taghiyev village near Baku. This protocol provides a legal opportunity to carry out repair and

restoration works in the leased buildings.

## Economy, Finance and Energy

- The President of Turkmenistan Gurbanguly Berdimuhamedov signed a decree on abolishment of the Ministry of Oil and Natural Gas, and the State Agency for Managing Hydrocarbon Resources. Some of the functions of the Ministry of Oil and Natural Gas oversight will be assigned to a cabinet department, which oversees the nation's oil and gas complex. Other duties will be carried out by two Turkmen state energy firms, namely, Turkmengeaz and Turkmennebit.
- According to the Federal Customs Service of Russia, in January-May 2016 the country's export revenues from oil products decreased by 48.3% to \$16.8 billion as compared to \$32.5 billion at the same period in 2015. In the reporting period, exports of oil products declined by 13.5% year-on-year in real terms to 66.7 million tons. Exports of oil products to the non-CIS and CIS countries fell by 13.2% (63.8 million tons) and 17.7% (2.9 million tons) respectively.
- According to the Statistics Committee of the Ministry of National Economy of Kazakhstan, in January-June 2016 the production of gasoline (including aviation gasoline) in the country increased by 13.6% and stood at nearly 1.53 million tons as compared to the same period in 2015.
- According to the State Statistics Committee of Azerbaijan, in January-June 2016 the total volume of foreign fixed capital investments in the country increased by 32.3% amounted to \$2.73 billion compared to the same period of 2015. 88.5% or \$2.42 billion of foreign investments were provided by the investors from the UK, Turkey, Malaysia, Switzerland, Russia, Iran, the U.S. and Japan.
- According to the Deputy Minister of Agriculture of Georgia, Levan Davitashvili, the government of Azerbaijan has given Georgia 30 combines in order to cope with a record-breaking harvesting season. It is expected that the average productivity per hectare would be almost doubled to 4 tons per hectare.
- The Statistics Committee of the Ministry of National Economy of Kazakhstan reported that in the first half of 2016 car manufacturing in the

country dropped by 62.2% and stood at 2,980 cars as compared to the same period in 2015. Kazakhstan produced 12,450 cars and 1,660 trucks in 2015.

- According to the Statement of International Monetary Fund (IMF) on Kyrgyzstan, IMF's forecast for the growth of the Kyrgyz economy in 2016 is cut to 2.2%. In addition, the IMF recommended the Kyrgyz government to make every effort to keep the fiscal deficit in 2016 within 4.5% of GDP limit.
- The Ministry of Economy and Development of Turkmenistan reported that the growth of GDP was at the level of 6.1% in January-June 2016. It was also stated that the investments from all funding sources increased by 5.7% compared to January-June 2015.
- The Central Bank of Uzbekistan reported that in the first half of 2016 the total assets of the country's commercial banks increased by 12.6% and amounted to \$24.85 billion as compared to the same period in 2015. The total loan portfolio of Uzbek banks increased by 12.4% and reached up to \$16.25 billion.
- The State Committee on Statistics of Uzbekistan reported that official unemployment rate in the country remained unchanged since early 2016 and stood at 5.2% in the first half of 2016. In the reporting period, Uzbekistan's economically active population amounted to 13.192 million people, which is 1.8% more than at the same period in 2015.

## Society and Culture

- The Head of the OSCE Center in Bishkek, Sergey Kapinos, announced about signing a long-term agreement with the State National Security Committee of Kyrgyzstan, which aims at both increasing cooperation to support the country's security sector and boosting the fight against terrorism and violent extremism.
- The Ministry of Health Care of Kyrgyzstan announced that the Kyrgyz-Turkish Friendship Hospital with 140 beds would be built in Bishkek by 26th anniversary of Kyrgyzstan's independence. The hospital is to be commissioned by August 31, 2017.
- The Russian Mission Control Center for International Space Station (ISS) reported that Russia's cargo spacecraft Progress MS-03 has automatically docked to the Pirs module of the ISS